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MIDDLE EAST – AFRICA – SOUTH ASIA

This publication is prepared for regional specialists in the Washington community by the Middle East - Africa Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Algeria-France

Results of Giscard Visit

French President Giscard d'Estaing's three-day visit to Algeria last week symbolized the formal reconciliation of the two states, 13 years after the Algerians won their independence from France. Both sides have portrayed the visit as a turning point in Franco-Algerian relations. The French seemed especially pleased with the warm and enthusiastic welcome given Giscard during his visit to Constantine and the seaport of Skikda, site of the world's largest plant for liquifying natural gas.

The joint communique issued at the end of the visit was bland in tone and dominated by generalities, suggesting that the two leaders made little progress toward resolving specific bilateral issues. [redacted] 25X6

25X6 [redacted] resisted Algerian efforts to include a statement to the effect that all major issues had been resolved--a theme aired by President Boumediene in his speech at the state dinner. Giscard's delegation argued in private that the issue of compensation for former French properties nationalized since 1965 could not be dismissed so lightly. Nevertheless, French diplomats, in discussions with US embassy officers, characterized the visit as "useful" in terms of the opportunity it provided for personal contact between the two heads of state.

In the area of cooperation, the two parties agreed to build a trans-Mediterranean pipeline to carry natural gas to France. They also agreed to encourage the teaching of Arabic in France and French in Algeria with a view to doubling cultural exchanges. On the issue of Algerian immigration to France--an especially sensitive point for Algiers--the French delegation announced it would increase efforts to improve housing and provide vocational training for Algerian immigrants. The communique added that other measures had already been implemented to ensure the safety of Algerian workers, who have been the target of sporadic racial incidents over the past two years.

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The two presidents affirmed their general agreement on a number of international issues. They declared their intention to work together, each according to his own analysis of the existing economic system, to create a new international economic order. The French did not, however, endorse in the communique Algeria's call for discussion of all raw materials--not just oil--at the plenary meeting of oil producers and consumers that is under preparation. On the Middle East, the two sides called for reconvening the Geneva peace conference, and on Indochina they urged a "just implementation of the Paris agreements." (CONFIDENTIAL)

25X1A

[redacted]

Kenya

COTU Calls General Strike

Juma Boy, the acting secretary general of the Central Organization of Trade Unions (COTU), has called for a general strike on April 19 unless the government meets COTU's demands for an increase in the minimum wage. He has also urged labor participation in a student demonstration planned for April 27 in memory of J. M. Kariuki, the recently murdered critic of the Kenyatta regime.

The government has expressly forbidden both the strike and the student demonstrations, and it has a good chance of making its injunction stick. Under a general government ban on strikes imposed last summer, defiant labor leaders are subject to arrest. It is not yet clear how many labor leaders, other than Boy, favor defiance of the government.

Boy himself may let the strike fizzle at the last minute. The government has agreed to a partial increase in the minimum wage, and Boy, who faces a tough fight for re-election next month as COTU secretary general, may point to the government's move as a victory for himself.

On the other hand, there is always the danger that antigovernment elements may decide to push ahead and test President Kenyatta's will. If either the strike or demonstrations takes place, it could attract sympathizers from the slums of Nairobi. Any large-scale demonstrations could cause serious problems for the already beleaguered Kenyatta government. (SECRET NO FOREIGN DISSEM)

25X1A [redacted]

India

Listless Economic Performance

The Indian economy posted another disappointing performance in the fiscal year ending March 31. Agricultural and industrial production limped badly. Per capita grain production and real income declined for the third time in the past five years. Without a shift to more pragmatic government policies, India seems doomed merely to exist from one monsoon to the next and from one consortium meeting to another.

Agriculture and Industry

A sub-standard wheat harvest last spring was followed by a poor summer monsoon. Grain imports soared; they will approach 8 million tons for the year ending this June. The US is supplying well over half of this grain--4.1 million tons in commercial sales and 800,000 tons under a recent aid agreement. New Delhi has also purchased more than a million tons of US wheat for shipment after June 30. Another poor monsoon next summer could push grain imports above this year's level; a good monsoon could cut imports to 3-4 million tons.

Immediate economic hopes remain tied to weather-dependent agriculture. Agriculture recovery, even to the level of four years ago, would stimulate an upturn throughout the economy, but New Delhi has failed to make the changes necessary to encourage recovery. More than a hundred river irrigation schemes remain tied up in interstate riparian disputes. Fertilizer production in April-December 1974 rose only 4 percent above the level of a year earlier, with the industry running at less than 60 percent of capacity. India's potential for reaching self-sufficiency in rock phosphate on the basis of the massive deposits discovered eight years ago

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remains unfulfilled. The recent tightening of controls on the private wheat trade hurts production incentives by cutting off successful wheat farmers from profitable grain-short markets elsewhere in the country.

Industrial production in 1974 grew 2-3 percent, far below the 6 percent average of the last two decades. The curtailment of public investment, caused by inflation, lessened the demand for heavy industrial products. Light manufactures suffered from the shortages of electric power, transport bottlenecks, and restrictions on imports of equipment and raw materials. In an effort to stimulate output, New Delhi loosened some controls on industry--for example, allowing large firms to expand capacity. These moves have been ad hoc, however, and have been applied only to the most severely affected industries. Similar liberalizations in the last 20 years have always been rescinded when conditions improved.

Foreign Trade

The sharp increase in petroleum prices prompted New Delhi to hold oil imports down to 340,000 barrels per day in 1974, or slightly below the previous year. The resultant energy gap cannot quickly be covered by conservation, changeovers to alternative energy sources, or increased domestic production. Offshore oil exploration, while promising, will not make a significant contribution to energy resources for several years.

In 1974, India's foreign trade deficit nearly tripled to an estimated $1.6 billion. A 48 percent rise in imports dwarfed a 22 percent growth in exports. Outlays on three essential imports--petroleum, foodgrains, and fertilizer--accounted for the entire increase. India obtained nearly $700 million from the IMF in 1974, rescheduled $196 million in debts, and obtained about $1.7 billion in new aid. The same level of aid will be more difficult to obtain this year because many donors have their own balance-of-payments problems. New Delhi will

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have to take some combination of the following steps: dip into its $1.3 billion in foreign exchange reserves, increase IMF borrowings, press for debt rescheduling, or, as a last resort, further curtail imports.

Policy

The adversity of recent years and the shock of the oil crisis appear to have edged the government toward pragmatism. At least new emphasis is apparent in government rhetoric--on the need to eliminate bottlenecks, increase agricultural output, and speed up the licensing of new industrial ventures. India's leadership, however, remains committed to socialism, viewing the private sector as a selfish and corrupt barrier to economic development. Income redistribution is still more important to New Delhi than growth. Major policy changes to spur growth appear unlikely. (CONFIDENTIAL)

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